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Digital Financial Inclusion Helps Rural E-commerce Financing from the Perspective of Rural Revitalization

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Abstract

Rural e-commerce economy has driven the development of rural characteristic industries, and also boosted the transformation and upgrading of the rural economy. In the context of COVID-19, the rural e-commerce economy is facing severe challenges in talent, logistics, capital and infrastructure. It is necessary to strengthen the training of rural e-commerce economy talents, smooth logistics services and strengthen the supply chain and measures to promote the better and faster development of the rural e-commerce economy. This paper explores the financing needs of rural e-commerce in China, and puts forward the corresponding countermeasures from the level of Digital Financial Inclusion, which is of great significance for the rural economic development. From the perspective of rural revitalization, this paper analyzes the financing needs and influencing factors of rural e-commerce in China, explores the role that Digital Financial Inclusion can play in the development of rural e-commerce in China, and focuses on its role in rural e-commerce financing. The study found that the main ways to help rural e-commerce financing include: strengthening the publicity of Digital Financial Inclusion and strengthening rural e-commerce practice training; using the Internet for promotion, using risk control with big data; and designing innovative financial products to play the role of Digital Financial Inclusion.

Keywords

Digital Financial Inclusion; Rural Revitalization; Rural E-commerce; Financing Needs.

1. Introduction

The rural revitalization strategy was proposed at the 19th National People's Congress of the Communist Party of China in 2017. In recent years, China has been committed to solving problems in agriculture, rural areas and farmers. However, due to the characteristics of the distribution of resources in China: too much population, too low per capita resources, uneven resource distribution, and the characteristics of the impossible agricultural division of labor, the level of economic development in rural areas in China is generally not high.

Since the COVID-19 outbreak in 2019, e-commerce has developed very rapidly, including in rural e-commerce. Luo Lei and other scholars (2022) showed that the stimulus of COVID-19 epidemic has prompted farmers to form a risk perception, which affects farmers 'willingness to participate in e-commerce, and farmers' epidemic risk perception has a positive impact on farmers' willingness to participate in e-commerce[1]. Therefore, the development of rural e-commerce is an important way to solve the difficulties of rural financial development in China, but because the level of rural financial development is not high, rural e-commerce enterprises have many obstacles in financing.

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Digital financial inclusion was first defined at the G20 Conference as "all action to promote financial inclusion through the use of digital financial services" [2]. Digital financial inclusion can be understood as the combination of "digital technology" and "inclusive finance", so that the goal of "inclusive finance" is achieved through "digital technology". The potential advantages of Digital Financial Inclusion are "low cost, fast speed and wide coverage", which can greatly save operating costs.

Therefore, in order to further improve the development level of e-commerce in rural areas and help the transformation and upgrade of traditional enterprises, this paper explores the role of Digital Financial Inclusion in the process of rural e-commerce financing from the perspective of rural revitalization, and puts forward corresponding countermeasures and suggestions from the perspective of Digital Financial Inclusion.

2. Literature Review

2.1. Research on Rural Revitalization and Rural E-commerce

Domestic scholars have made rich research achievements on rural revitalization and rural e-commerce. Hong Yong (2016) put forward policy suggestions on the development of rural e-commerce in China, which mentioned exploring the path of rural e-commerce finance [3]. Luo Biliang (2017) proposed that "people, land and money" are the main line in implementing the rural revitalization strategy. Among them, from the point of view of "money", we should create a wide range of sources and take multiple measures simultaneously [4]. We should adhere to the concept of giving priority to agriculture and rural development, focus on the development of inclusive finance in rural areas, strengthen financial support for rural revitalization, and guide social capital to participate in rural revitalization. Zheng Zhilai (2020) believes that the reason for the difficult and expensive financing of rural e-commerce in China lies in the lack of hardware conditions such as rural financial infrastructure and financial institutions' ideas, product innovation, intermediary supporting facilities and other software conditions [5].

2.2. Research on Digital Financial Inclusion and E-commerce Financing

Domestic scholars for digital pratt & whitney financial power rural electricity research results are rich, Luo WanQi (2019) put forward rural electricity in traditional financing channels, insufficient innovation, inefficient financial services, financial products, given the Internet broaden customer channel, big data to strengthen the whole process of risk control, strengthen the product and service innovation Suggestions [6]. Wang Gangzhen and Jiang Guanghui (2021) proposed that inclusive finance can effectively alleviate financial constraints, improve farmers 'financial literacy, and thus promote farmers' entrepreneurship [7].Tang Yi, Liu Hao, Xu Jiankui (2021) found that the rural e-commerce has a strong demand for financing, but the financing availability is not high; factors like fixed assets scale, operating profit, financial knowledge level, financial system, credit rating have a significant influence on the financing availability of rural e-commerce, and proposed the online agricultural supply chain financing mode of rural e-commerce financing mode under the guarantee mechanism [8]. Li Lili (2022) concluded that inclusive finance is beneficial to promote rural revitalization, with a greater positive marginal impact in the central and western regions with a large development gap between urban and rural areas; in addition, inclusive finance can accelerate the development of rural e-commerce, thus promoting rural revitalization [9]. Ji Xiangli (2022) found through empirical analysis that Digital Financial Inclusion indirectly encourages the development of rural e-commerce by improving the level of rural financing, infrastructure and human capital, and the driving effect of Digital Financial Inclusion on the development of rural e-commerce is more significant in areas with a high level of rural e-commerce development [10].Yang Lin and Zhang Siqi (2022) summarized the digital inclusive credit model, integrated development model and financial

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service model of rural e-commerce, analyzed the difficulties in the development of Digital Financial Inclusion on the basis of the three modes, and gave policy suggestions [11].No unified conclusion has been reached on the discussion of Digital Financial Inclusion to help rural e-commerce financing.

3. The Development Status of Rural E-commerce in China

3.1. Rural Financial Dilemma

Studies have shown that in the early stage of agricultural and rural economic development in developing countries, the imperfect financial market has restricted the economic development, and the completeness of the rural financial market is closely related to the development of rural economy. For China's development experience, there are some problems in the development process of the rural financial market. First, agriculture is a weak industry. Limited by price control and environmental factors, it is in a weak position in the market competition, and the financing is more difficult than other industries. Second, from the analysis of the economic system, China has long implemented the urban-rural dual economic system, which has artificially caused the urban-rural division, widened the gap between urban and rural areas, and limited the rural economic development. Third, farmers' financial literacy is uneven, some farmers have weak financial awareness, the credit system is not perfect, and the legal environment is not good. This poor financial ecological environment has led to the shrinking of the rural financial market.

3.2. Rural E-commerce Development

The outbreak of COVID-19 has promoted the transformation of the tertiary industry to e-commerce. Studies have shown that the COVID-19 outbreak has a significant positive effect on farmers' willingness to participate in e-commerce. The business model represented by "live streaming with goods" has developed rapidly, and the short video platforms represented by "TikTok" have become the rising stars in the post-epidemic era. However, there are still obstacles in the development process of rural e-commerce, and the rural financial hardware conditions restrict the development of rural e-commerce. Specifically, weak rural financial facilities, poor availability; insufficient rural financial innovation and single financing channels; rural technology finance is relatively lagging behind; and the supporting market of rural financial intermediary is imperfect. Although the e-commerce platform uses the Internet technology to promote the development of the financial industry in rural areas, and people's discussion on its financial business is becoming increasingly heated, but from the implementation effect, the development of the e-commerce financial business in rural areas has still begun to take shape, and has a large development space [12].

3.3. Rural E-commerce Financing

Rural e-commerce enterprises are scattered, small in scale, and lack of credit information and mortgage assets. Traditional financial institutions can develop such customers with high customer acquisition cost, high investigation cost, and difficult in risk to grasp, which has hindered the traditional financing channels of rural e-commerce. First, the mortgage guarantee assets are insufficient. Rural e-commerce enterprises generally have the characteristics of asset-light operation, and their main assets are computers, inventory and intangible assets. In addition, the brand effect of rural e-commerce is not outstanding. Regional brands give priority to the development of enterprise brands, the quality of goods is uneven, and the lack of unified standards makes consumer recognition low. As a result, e-commerce companies cannot provide effective mortgage assets or rely on brand effect to obtain loans. Second, the information asymmetry between banks and enterprises. On the one hand, rural e-commerce micro-enterprises' operating finance, assets and credit information is not transparent, and banks

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cannot fully understand their operating situation and profitability. On the other hand, there are a large number of rural e-commerce companies, a small credit line, and the cost of bank-door-to-door investigation is high. In view of the asymmetry of cost and income, financial institutions have greater resistance to rural e-commerce lending.

4. The Way that Digital Financial Inclusion Helps Rural E-commerce Financing

4.1. Strengthen the Publicity of Digital Financial Inclusion in Rural Areas, and Strengthen the E-commerce Practical Operation Training of Farmers

Due to the incomplete infrastructure in rural areas and the uneven distribution of age objects of rural e-commerce service stations, the middle-aged and elderly people are missing among the e-commerce village-level service stations. However, for the middle-aged and elderly, as the main population composition in rural areas, it is necessary to capture the middle-aged and elderly customer groups. Therefore, we should combine the characteristics of middle-aged rural people, as well as the conditions of rural areas, and use group activities and different media advertising, such as TV advertising, street advertising, to improve the publicity of e-commerce financial products. In addition, lectures can be given to potential future customers, and university teachers or experts from financial institutions can be invited to publicize the corresponding financial knowledge according to the financial needs of farmers. Moreover, with the popularity of smart phones, social media such as wechat groups and public accounts can be used to promote the products. At the same time, farmers can be given certain preferential activities to enhance their interest and understanding of e-commerce financing business, improve their e-commerce financing preference, and make the value evaluation of e-commerce financial business, so as to enhance farmers' willingness to use the e-commerce platform for financing.

4.2. Use the Internet to Promote it

Traditional commercial banks mainly set up branches across the country to facilitate customers to handle business and thus obtain customers. For rural areas, the cost of obtaining customers by adopting the traditional banking model and setting up extensive branches is too high, which is due to the characteristics of rural areas with remote geographical location and low population density. Relatively speaking, the promotion cost of Internet channels is lower. Digital Financial Inclusion can effectively use the Internet to obtain customers on the network and platforms. Rural e-commerce enterprises can apply for loans directly on the Internet without having to go to bank branches. Nowadays, the number of rural Internet users in China has exceeded 100 million. Under the background of such Internet development, Digital Financial Inclusion has significant advantages in customer acquisition, reducing the cost of customer acquisition.

4.3. Use Big Data to Manage Risks

The traditional risk control mechanism such as credit investigation, credit granting and post-loan management of commercial banks is a major obstacle in the financing process of rural e-commerce. From the perspective of credit investigation, the cost of carrying out credit investigation work in rural areas is relatively high, and Digital Financial Inclusion can obtain the transaction data in the operation process of rural e-commerce enterprises through big data, ensure the authenticity of transactions, realize the digitalization of enterprise information, and establish a complete credit investigation system. From the credit level, digital pratt & whitney financial through the Internet widely collect rural electricity enterprise information data, analyze the enterprise cash flow, transactions, customer relations information, judge the customer's financial situation, credit quality, at the same time quickly to qualified target

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customers to complete credit, from the door-to-door investigation tedious work. Digital Financial Inclusion credit attaches great importance to data analysis rather than relying on mortgage guarantee, which not only lowers the financing threshold of small and micro enterprises, but also enables the credit value of rural e-commerce enterprises to be transformed. Rural e-commerce customers with good reputation are given priority and preferential interest rate when borrowing. In terms of post-loan management, Digital Financial Inclusion, with its high data system, can timely update enterprise credit rating, adjust credit lines, and make early detection and early governance of problem loans.

4.4. Design Innovative Financial Products to Play the Role of Digital Financial Inclusion

Traditional financial institutions must change their business philosophy, deeply explore and analyze the capital needs of enterprises, and design the innovative financial products that adapt to rural e-commerce.

Payment and settlement innovation. Relying on the Internet advantages of Digital Financial Inclusion, we will promote the promotion and application of new mobile payment, and smooth the payment channels for rural e-commerce.

Innovation in agriculture-related insurance. Digital Financial Inclusion calculates the insurance amount and insurance premium of the new agriculture-related insurance through big data, simplifies the claims settlement procedures, and expands the all-round financial supply to rural e-commerce.

Credit product innovation. Develop supply chain loans between upstream and downstream customers and expected income loans for agricultural products, and securitize the stable cash flow of rural e-commerce.

Guarantee mechanism innovation. Develop rural collective co-guarantee loans, high-frequency small-amount guarantee loans, inventory pledge loans and government-guaranteed loans.

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